

Media information

INSIGHT 1: INTRODUCTION TO THE DECENT HOMES STANDARD

In the first of its CPD accredited Insight publications, Chris Tait, marketing manager (specifications) at Applied Energy Products Ltd, looks at the instigation and aims of the government's directive on social housing and how it will impact on local authorities.

Overview

In July 2000, following its Spending Review 2001 - 2004, the government announced a significant increase in resources for social housing. A ten year target was set with the aim of bringing all social housing up to a 'decent standard' by 2010. Owing to the lack of clarity with regards to the Decent Homes Standard, Applied Energy Products Ltd is producing guidance for housing professionals. This publication is intended to summarise key issues in an easy to read way.

Social housing is defined as "housing of an adequate standard which is provided to rent (or on a shared ownership basis) at below market cost for households in need by local authorities (LA) or registered social landlords (RSL) operating on a basis of accepted and regulated standards of good practice in relation to physical conditions, management, allocation, equal opportunities and accountability to tenants and other stakeholders" (Good Practice Guide 117 to Local Housing Needs Assessment, Office of the Deputy Prime Minister). As a concept, social housing was developed in order to fulfil the fundamental need for basic shelter.

To contextualise today's social housing climate it is appropriate to consider briefly the recent history of social housing. From 1945 -1953 there was a housing 'boom' as the government endeavoured to increase state funding in order to subsidise slum clearing and invest in social housing. However, despite this initial investment, there was a lack of commitment from subsequent governments and coupled with the underlying perception that people should own their own property, a chronic under investment in council stock prevailed. This deterioration in the stock condition led to the inception of the Decent Homes Standard.

In 1997, 2.1 million houses fell below a decent standard and the government estimated the repair backlogs to total around £19 billion. The subsequent launch of the Decent Homes Standard has seen:

- An £18 billion government investment to reduce non-decent social homes from 2.1 million to 1.1 million between 1997 and 2004 (Factsheet 1: Decent Homes - The National Picture)
- RSL stock rise to 1.7 million and LA stock reduce to 3.5 million (ODPM - Table 101 Dwelling stock: by tenure, United Kingdom (historical series) Nov 03)

Drivers behind the Decent Homes Standard

The government identified the following issues behind the Decent Homes Standard:

- Too many live in poor-quality housing or find that their landlord, private or public, does not provide a proper service
- Many live on estates which have been left to deteriorate for too long, and which contribute to ill health, crime and poverty
- Many families and individuals, including elderly and vulnerable people, live in housing that is not energy efficient and in which it is difficult to keep warm
- Most public sector tenants have been denied choice, offered housing on a take-it-or-leave-it basis and charged rents that are not comparable for comparable homes

(Green Paper: 'Quality and Choice: A Decent Home for All', 2000)

The Decent Homes Standard

In its Green Paper 'Quality and Choice: A Decent Home for All' (July 2000), the government set two targets:

1. *To reduce by one third the number of social housing properties which fail the Standard by 2004*
2. *To have all social rented homes meeting the Standard by 2010*

The 2002 Spending Review renewed the commitment above and expanded the target to cover 'vulnerable households' in the private sector. Similarly, in the 2004 Spending Review introduced 'families with children' in recognition of the government's commitment to tackling child poverty. The amended target is now:

'by 2010 to bring all social housing into decent condition, with most of the improvement taking place in deprived areas, and for vulnerable households in the private sector, including families with children, increase the proportion of private housing in decent condition'.

Table 1: Decent Homes - Regional Improvements

REGION	Reduction in Non-Decent Homes 1997-2001	Estimated 2001-2004 Reduction
East of England	38,000	29,000
London	87,000	58,000
North West	95,000	47,000
South East	62,000	24,000
South West	43,000	21,000
West Midlands	62,000	25,000
Yorkshire & the Humber	70,000	37,000
North East	55,000	12,000
East Midlands	45,000	27,000
TOTALS	557,000	280,000

Although Table 1 indicates that progress has been made, according to the statistics above, 1.1 million properties still remain non-decent. Between 1997 and 2004, an average of 120,000 houses per annum were brought up to standard. With five years left until 2010, and 1.1 million houses to upgrade, the average number of non-decent stock being upgraded from 2005 to 2010 will have to increase to 220,000. This represents an 83% increase in the volume of houses worked on. The most accurate projections of the number of non-decent homes remaining in the social sector are as follows:

Table 2: Non-Decent Homes

	April 1997	April 2004	April 2006	April 2008
Non Decent Homes	2,130,000	1,170,000	800,000 – 870,000	450,000 – 550,000

(Government Response to the ODPM: Housing, Planning, Local Government and the Regions Committee's Report on Decent Homes, July 2004)

Vulnerable households have been defined by the ODPM (February 2004) as "those in receipt of at least one of the principal means tested or disability related benefits. The benefits taken into account are income support, housing benefit, council tax benefit, disabled persons tax credit, income based job seekers allowance, working families tax credit, attendance allowance, disability living allowance, industrial injuries, disablement benefit, war disablement pension".

According to the government, '**A decent home is one which is wind and weather tight, warm and has modern facilities**'. The government made it their priority to reverse the decades of neglect and this standard was to be the cornerstone for improving people's quality of life in the home. To ensure

that all social housing tenants have decent homes, the government is dependent on the social landlords.

To deliver, social landlords need to quantify the level of non-decent housing in their stock, develop an investment strategy to deal with this and measure progress towards its elimination. The criteria included in the decent home standard reflects the type of work social landlords undertake to their housing stock.

The Standard

To set a national target a common definition of decent is needed so all social landlords can work towards the same goal. A 'decent home' therefore comprises of four key components:

- Fitness for habitation
- Disrepair
- Modern facilities
- Reasonable degree of thermal comfort

In applying the Decent Home Standard, social landlords should bear in mind the following:

- Decent homes must be sustainable in the long term. Decisions on which homes to invest in must be made in the context of the long term demand for the stock (see Table 3 below to see the age profile of the English local authority stock)
 - It is a minimum standard that all social housing should meet by 2010 and which can be measured consistently across all social housing stock
 - It is a standard that triggers action, not one to which work is necessarily carried out
 - Landlords are not expected to make a home decent if this is against a tenant's wishes
 - Landlords are not expected to carry out only that work which contributes to making homes decent
- (ODPM)

Table 3: Mix of Local Authority Dwellings by Age 2000 (%)

Year Built	Pre-1945	1945 - 1964	1965 - 1974	Post 1974
% of Dwellings	24	38	21	17

Table 3 highlights the fact that around 83% of local authority stock was built before 1974. With such an aging portfolio of housing stock, it is understandable that the government introduced the Decent Home Standard. Chart 1 demonstrates the trend for older properties to score a much lower energy rating in the Standard Assessment Procedure. This is a very topical issue and the emerging drive towards energy efficiency is incorporated into the Decent Home Standard via the thermal comfort component.

Chart 1: SAP Scores



<http://www.sapratings.com/sapratings.html>

(DEFRA)

Meeting the Decent Homes Standard

With the government setting the 2010 deadline for all social housing to meet the Decent Homes Standard, local authorities have been placed under increasing pressure to deliver. Since the target was set local authorities have been asked to update their stock condition surveys and report annual figures that state the amount of disrepair to their stock. This information is critical in determining the amount of resources needed to bring their stock up to the required standard. Limited by the inability to generate private capital, many local authorities are operating under conditions of financial stringency and with their extensive repair backlog they have found it difficult to acquire the necessary finances to fund their maintenance obligations.

As it currently stands, local authorities have been presented with four options to help them achieve the 2010 standard

- Arms Length Management Organisations

- Private Finance Initiative
- Stock Transfer
- Local Authority Retains the Stock

No matter what option is pursued, the tenants have to be at the heart of the strategy. They need to be fully engaged in the decisions about the future of their homes. Having had the opportunity to appraise the options and seek independent advice, the tenants vote to determine the outcome.

Arms Length Management Organisation (ALMO)

An ALMO is an organisation specifically set up by a local authority to manage and improve all or part of its housing stock. To qualify for additional resources the local authority's services must be rated as either 3* (excellent) or 2* (good) by the Housing Inspectorate. Key features of the ALMO option are:

- Ownership of the housing stock remains with the local authority
- The local authority remains the legal landlord
- Tenants remain secure tenants of the authority and there is no change in their rights, such as the right to buy, right to repair and right to manage
- An arms length body may manage all or part of an authority's stock
- As its name implies, an arms length body has a significant degree of independence from its parent local authority.

Private Finance Initiative

The Private Finance Initiative (PFI) was announced by the then Chancellor, Norman Lamont, in the 1992 Autumn Statement and came into being in 1992. The aim of the PFI was to increase the "involvement of the private sector in public sector services" (The Private Finance Initiative, House of Commons Research Paper, 2001). In his statement, Norman Lamont announced three significant developments:

1. Any privately financed project which can be operated profitably will be allowed to proceed
2. The government will actively encourage joint ventures with the private sector, where these involve a sensible transfer of risk to the private sector
3. Allow greater use of leasing where it offers good value for money. As long as it can be shown that the risk stays with the private sector, public organisations will be able to enter into operating lease agreements (Norman Lamont, 1992)

Through PFI the private sector is able to bring a wide range of managerial, commercial and creative skills to the provision of public services, offering potentially huge benefits to the government.

To comply with PFI rules, the public sector partner must not assume any of the financial risk of the project and must be able to in effect 'cancel' their agreement if mutual performance criteria are not met. LAs need to complete a business plan, demonstrating that PFI offers the most cost-effective solution for their respective projects. Funding is dependent on authorities producing a detailed Outline Business case, which will require approval by the inter-departmental Project Review Group. Projects endorsed by the PRG become eligible for revenue support as long as current proposals are translated into contracts. The schemes differ as RSLs will be contracted to acquire or build additional social housing, the properties will not be council owned.

Stock Transfer (including Large Scale Voluntary Transfer)

Large Scale Voluntary Transfers commenced in 1988 and LAs have to apply to the ODPM to be included on the transfer programme. They can be either whole or partial stock transfers and involve the sale of LA dwellings to RSLs, in order to utilise private finance for repairs. These repairs are funded through rent increases which are detailed to tenants prior to a tenants' ballot. The ballot has to show a majority in favour of the transfer proposals before a transfer can take place.

Whilst stock is in the ownership of the LA any funding for repairs, financed through borrowings, is reflected in the Public Sector Borrowing Requirement. Therefore, once the stock is transferred, private finance is used and the repairs programme is no longer reflected in Government spending figures. Surpluses generated from stock transfer deals face a levy of around 20%. This is pooled by the ODPM and used to assist LAs wishing to transfer but who are in negative equity.

The advantages of transferring stock to RSLs are:

- Local authorities can free themselves from the constraints of housing management and development
- Housing development is subject to fewer restrictions
- Repairs to housing stock are financed by private loans
- Reduction in local authorities debt
- More local authority finance available for other projects
- RSLs are more able to fund repair, maintenance and improvement work

Retain Ownership

A local authority has the option of continuing to own and manage its own housing stock. This might not necessarily be through choice as the tenants may vote against any of the aforementioned three alternatives. In this case, local authorities are limited in their ability to raise the finance required to meet the Decent Homes Standard and with the 2010 deadline looming, the government is coming under more pressure to either extend the deadline or to offer a further option.

Decent Homes Plus

The ODPM has expressed its desire to see a more ambitious Decent Homes Standard to supersede the current 2010 standard. The committee recommends that a more 'aspirational Decent Homes Plus' target be set for a later date and the scope of which should be broader and demand a higher standard. The initial target date suggested by the ODPM is in the 2015-2020 range. The new Decent Homes Plus should be better aligned to the wishes and expectations of the occupants and should include:

- a much more ambitious thermal comfort criterion which is in line with Building Regulations in force at the time the new Standard is set
- accessibility standards for elderly and disabled people
- internal noise insulation within and between dwellings
- standards for the external environment (i.e. communal areas) that integrate Decent Homes Plus with Sustainable Communities policy (ODPM: Housing, Planning, Local Government and the Regions Committee Decent Homes Report, May 2004).

Given the confusion and uncertainty of the 2010 Decent Homes Standard, the introduction of a new standard at this stage would further complicate matters. On top of this, it is perhaps, too early to consider targets for 2015-20. Standards and people's aspirations change over time and any target set for that period now is likely to be outdated before 2020. With this in mind, the government is focussing its attention on meeting the existing challenges as posed by the 2010 target (Government Response to the ODPM: Housing, Planning, Local Government and the Regions Committee's Report on Decent Homes, July 2004).

Summary

In summary, the Decent Homes Standard has set a target for local authorities to ensure their housing stock meets a minimum requirement by 2010. In order to finance their repair, maintenance and improvement works, many local authorities are pursuing the stock transfer options offered by ALMOs, LSVTs and PFIs. By accessing private capital, local authorities are better positioned to meet the Decent Homes Standard. In a small number of cases, some local authorities have failed in their bid to proceed with each and every one of the three aforementioned options. These local authorities are struggling to meet the deadline (they have a limited capacity to raise finance) and there has been pressure placed on the government to offer a 'fourth option'.

As outlined, around 220,000 properties per annum will have to be brought up to the Decent Homes Standard from 2005-2010. Some of the key repair, maintenance and improvement works include

kitchen / bathroom upgrades, and the installation of new heating systems. This represents a significant commitment and workload for housing professionals.

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